

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD

**Business Advisory Council Meeting
July 22, 2009**

Welcome and Introductions – Ruthann Kurose and Pat Kohler

Ruthann and Pat provided members information on recent budget reduction activity:

Reductions were made across all parts of state government:

- 40,000 people will be cut from the Basic Health Plan which already has an 18,000 waiting list.
- K-12 and university students will be sitting in larger classes next year and tuition will be an even greater strain for students.
- Thousands of public sector employees face layoffs in our state.
- Thousands of teachers and school staff have already received layoff notices.
- Scores of medically fragile seniors and people with disabilities that require adult daycare will be left without services.
- The Liquor Control Board, is also facing a significant budget challenge:

The LCB used a variety of cuts and costs savings to cover the \$3.8 million budget gap that emerged when the Operating Budget removed the entire funding for the Tobacco Tax Unit. The LCB is expected to absorb the cuts while continuing to enforce tobacco tax laws.

The agency closely analyzed its budget to determine the reductions in service that will be required as a result of the spending reductions.

- **Reduction in Employee Workforce** - We have eliminated more than 20 positions, including three management positions. We are now working closely with affected employees to review employment options.
- **Voluntary Board** - While legislation is required to transition the Board to voluntary status, as of July 1, The Board and two staff members are no longer directly funded. The Governor will run a bill again in January to make it official.
- **Closing Field Offices.** The WSLCB will close five enforcement field offices beginning in September. Liquor and tobacco enforcement officers will continue to serve licensees by using specialized laptops while out in the field.

- **New Revenue Projects** - At the same time, the agency is hard at work implementing new budget-directed projects that will generate an additional \$16.1 million in revenue for state and local services during the next biennium. The new projects will be rolled out over the course of the biennium.

They include:

- Opening 5 new state stores and 10 contract
- Opening state stores on 7 state holidays. The first weekend was Fourth of July.
- Opening 9 additional state stores on Sunday
- Opening in 6 malls during the holiday season
- Expanding our Lottery sales
- Selling gift cards in our liquor stores.

The Liquor Control Board must look at the challenges ahead as opportunities and ask ourselves how we can more effectively and efficiently serve our clients/customers and meet the needs and demands expected of us.

The governor reminds us that it will take all of us working together, with shared responsibility and a sense of community to get us through this downturn.

I know that we're ready at the Liquor Control Board to meet this challenge. I look forward working with each of you as we help get the state back on its feet.

Jim Goldberg - Legal Counsel for the National Alcohol Beverage Control Association (NABCA)

Jim provided the group an update on national legal issues related to liquor. Summary of the issues include:

- Healthcare Reform – possibly raise excise tax on spirits, beer, wine and soda.
- Litigation on Direct Shipment of Wine – currently 6 to 8 active cases
- Craft Distilleries Growth – How will state regulate craft distilleries
- Privatization – Around the nation, alcohol beverage control states continue to address issues of privatization. NABCA offers assistance to states on privatization issues
- Post and Hold – The Federal Trade Commission in Seattle is now involved in Post and Hold issues and are making public record requests of states.
- Alcohol Advertising on College Campuses
- Airline Liquor License – New Mexico is considering requirements of commercial airlines to hold liquor licenses in their state.

- Alcohol Facts on Product – Potential TTB requirement to place facts on alcohol products similar to food products
- Energy Drinks – TTB looking at regulations and difficulty to distinguish between alcohol and non-alcohol products
- Occupancy Tax for Sellers of Alcohol – The TTB is looking into possible occupancy annual fee, unlike a licensing fee
- Food Safety Legislation – All companies that sell food products would need to register with the Federal Government and pay a fee
- Federal Highway Bill – Possible components of bill may include incentives for 21 yr old drinking age limits and ignition locks for all DUI offences.
- Massachusetts Underage Drinking Laws – Reward retail clerks that do not sell to minors
- Imported Wood Product Regulations – Potentially affect corks and barrels for wineries

Danny Brager – VP Group Client Director, Beverage Alcohol - The Nielsen Company

Danny presented “Living through the Economic Hangover, When the Big Picture Meets Beverage Alcohol”. Topics include:

1. Impact of the changing U.S. economic landscape upon consumer behaviors – off-premise vs. on-premise
2. How are Beverage Alcohol sales being impacted – what’s hot, what’s not, and what’s changed
3. What does the future market outlook look like?

See attached presentation

Division Reports

Brian Smith – Communications Director

- The LCB is on record pace for media contacts
- Presentation at DRAW Advisory Committee meeting on price increase
- Local outreach meeting with the City of Tacoma
- Brian is working with Michael Transue and the WRA to on price increase communication
- Point of Sale signage to educate the public on price increase and how the additional funds contribute to the states budget deficit

Distribution Center Update – Pat Kohler, Administrative Director

- Business Enterprise Director is unable to attend today’s meeting due to focus and needs at the DC
- Matt Pridgeon, past DC Director has resigned
- DC media coverage has been sensationalized

- Volume coming out of the DC is higher than a holiday build-up, 22,000 cases a day average
- Contingency plan is developed for high sale/volume products
- Survey conducted on out-of-stock levels in stores, results indicate 93% of product is now in stock
- Maintaining an acceptable fill rate will always be a challenge if the volume remains at the current level
- Lesson learned – in the late 90s we converted to an automated warehouse, discovered there are benefits to having some manual operations

Administrative Services – Randy Simmons, Director of Administrative Services

Randy provided information on revenue projections. *See attachment*

Legislative and Policy Update – Rick Garza, Deputy Administrative Director

Rick provided information on agency rule making, legislative, and tribal workgroup activity. *See attachments*

Closing Remarks – Ruthann Kurose, Board Member

Ruthann reminded attendees of the next BAC meeting date on October 21, 2009. Ruthann asked if any participants would consider hosting the next BAC meeting. Jean Leonard will look into holding the next meeting at a winery.

Meeting adjourned at 12:03 p.m.